



KDOL Unemployment Insurance Modernization Project

Progress Report

15 December 2010



*The Honorable Mark Parkinson
Governor
State of Kansas*

*Jim Garner, Secretary
Kansas Department of Labor*



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Message from the Secretary

I am very pleased to share our progress report concerning the Unemployment Insurance Modernization (UIM) Project. This report provides some background on the project's history and details the significant progress that the Kansas Department of Labor (KDOL) has made to date on this critically important endeavor.



It all started as an idea in 2004 in the aftermath of the huge challenges the agency encountered in implementing the federal Temporary Extended Unemployment Compensation program that Congress created during the last recession of 2002-03. Little did we know then that the project would encounter a much larger and more challenging recession during its development.

The unemployment crisis experienced in 2009-10 has definitely placed unprecedented stresses on our staff and resources. We have never seen such a high level of demand for UI benefits since the program was created more than 70 years ago. The crisis certainly confirmed the very real need for the UIM project and new system to support the UI program. When faced with such a challenge, most people would have shelved the project. We, instead, persevered—and it has helped with addressing the workload crisis.

The ongoing UIM Project success is a direct result of the team approach which has defined the project. It is not an IT or UI project—it is an agency project. All parts of KDOL have played key roles. While employees within our IT and UI divisions have been most directly involved, the project's success also has been dependent on the supportive services provided by our Fiscal, Legal, Communications and Human Resources divisions. Our Labor Market Information staff has also been involved in providing business process information and in the data improvements. Other agency divisions have foregone IT projects in support of the UIM effort.

The implementations completed so far have made a noticeable difference in our operations and still more improvements remain ahead. The UIM Project is, and will continue, to enhance the experience that KDOL's customers—the workers and employers of Kansas—have when dealing with our agency.

I am proud of each individual who has contributed to the UIM project. Their work is making a real difference and will impact the agency for years to come.

Very truly yours,

A handwritten signature in black ink, appearing to read "Jim Garner". The signature is fluid and cursive, with a large initial "J" and a stylized "G".

Jim Garner
Kansas Secretary of Labor

Unemployment Insurance Modernization Project

Progress Report

The Unemployment Insurance Modernization (UIM) project is a comprehensive, ongoing project for the Kansas Department of Labor (KDOL). The purpose of the project is to update the processes and systems used in the agency's Unemployment Insurance (UI) operations to collect taxes to fund the program and to distribute benefits to qualifying out-of-work Kansans.

Although state-of-the-art in its day, the existing operating system used to accomplish these tasks is more than 30 years old. Additionally, many of the processes for handling day-to-day operations are just as antiquated. The outdated technology and way of doing business was inefficient and inflexible, making changes to the system difficult and expensive. The UIM project has been driven by two guiding principles—customer focused, assisted self service and integrated operations.

Technology deployments began in 2009 and we are now into a monthly deployment cycle of the modernized business technology and processes. Each month we implement additional releases that build on the previous releases and bring us closer to our ultimate goal. This is a very exciting time for our agency. Since we began this project, many people across the agency have devoted countless hours to planning, development and testing—and we are seeing our hard work pay off.

Not only is our progress critical to the citizens of Kansas, but we are also being noticed by several other states. Kansas is the first state to:

- Use Siebel 8.2 public sector, the very latest version of Siebel software developed specifically for case management in the public sector;
- Adopt the newest Genesys phone system technology and integrate it with Siebel 8.2;
- Integrate Siebel 8.2 with FileNet, the software that stores and manages all of our electronic documents, correspondence and forms; and
- Undertake both a major technology upgrade and UI business transformation in parallel.

Why are we doing this?

During the recession of 2002-03, it became apparent that the current UI operating system was built on outdated, inflexible programs. The systems posed significant challenges to implementing new extended benefit programs enacted during that recession. The system also prevents KDOL from improving its operation to meet the needs of customers. The UI system at KDOL is comprised of more than 1,600 COBOL language programs and more than a million lines of code (some dating back 40 years). It is a mission critical operation supporting the system of determining eligibility for UI benefits, paying benefits and tracking UI tax assessments and collections. It is an antiquated system in real need of replacement.

In 2004, KDOL hired a consultant to conduct a feasibility study regarding a modernization project for the UI operating system. Governor Sebelius requested and the Legislature approved funding in the FY 2005 budget for KDOL to start the project. A total of \$21 million was authorized.

You've got to have a plan

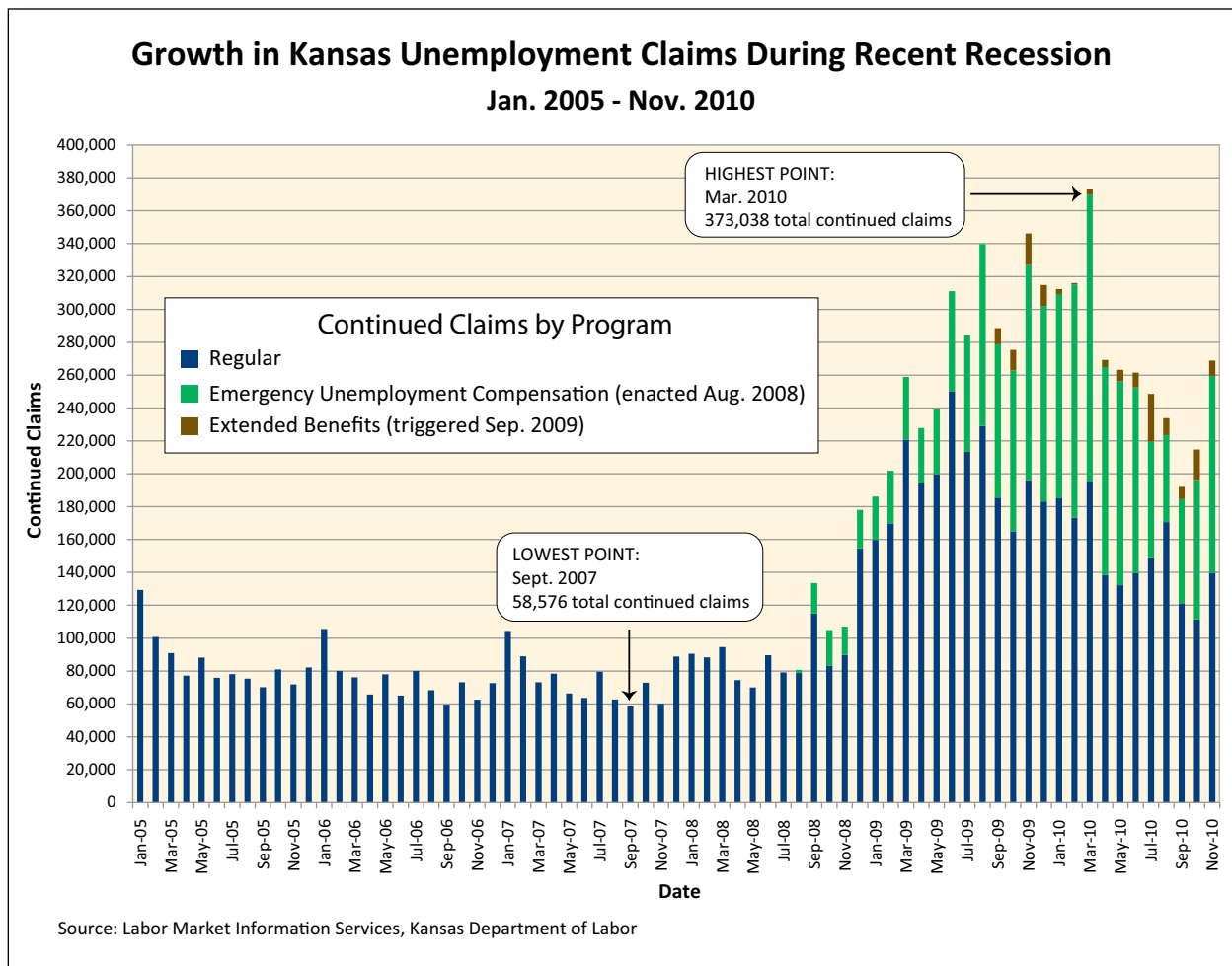
To achieve a successful project, the agency needed a detailed and well-thought-out plan. Agency leadership decided that while other states had upgraded and modernized technologies, it was critical that the Kansas project review and modernize the business processes used to conduct the operations of unemployment insurance.

In September 2005, the agency hired a consultant to conduct a full business process reengineering project. All existing UI processes were reviewed, and the new structure and flow of processes were identified and documented. This thorough project took more than a year to complete. We successfully planned for 31 Business Transformation Projects which resulted in the reengineering of 86 Operational Level Processes.

Based on these results, KDOL leadership determined that the best approach would be to pursue a complete modernization of the entire UI system. The Governor recommended and the Legislature authorized an additional allocation of \$26 million in the FY 2007 budget to expand the project to include a re-write of the entire UI system.

After successful completion of the process reengineering project, it was time to develop a detailed plan setting out the specific requirements and technical solutions to be used in constructing the new system. A vendor was engaged in June 2007 to develop the plan and requirements.

A major decision was made in early 2009 to use a more incremental and agile approach to building the new system instead of a “big bang” or “flip the switch” approach. This change in approach has been instrumental in the project’s continued success. The recent severe recession dramatically increased the workload for our UI business staff (see chart below). The agile, incremental approach to building and implementing the new system was more manageable in light of the unemployment crisis.



In May 2009, the State’s Chief Information Technology Office (CITO) approved the high level plan for the “Build and Deploy” phase of the project.

So where do we stand on accomplishments?

With the assistance of skilled and talented KDOL staff and outside vendors, the agency has been proceeding with implementation of the UI Modernization Project using a series of



subprojects. The first subproject was completed in December 2009, the second in February 2010 and the third subproject is on target to be completed next month (January 2011). The fourth and final subproject has been approved by the CITO Office and is scheduled to be completed in October 2011.

The following items are an overview of some of the more significant accomplishments—items built, implemented and in operation:

1. Laying the Foundation

The agency successfully completed a solid foundation of platforms upon which the new UI operating system is being built. This included:

- **Installing Oracle Public Sector for our Case Management system (Winter 2009)**

This is the main tool that all our agency employees use to do their daily work. It replaced the old mainframe “green screens” and moved us to a modern database and Web platform.

- **Implementing FileNet for the Document Management solution (Winter/Spring 2010)**

FileNet streamlined our records storage unit and allowed for individuals’ data to be instantly stored after submission. This reduced, and in some cases eliminated, the time our employees previously spent manually entering data.

- **Genesys phone support system (Fall/Winter 2010)**

With our new Genesys phone system, callers hear professionally recorded voices and, using voice recognition, are asked a modernized flow of questions.

- **Oracle Policy Automation (OPA) Rules Engine (Summer/Fall 2010)**

This program is the heart of the new system’s ability to apply the policy rules governing the UI program and provides the flexibility to adapt to policy changes. The rules engine allows for dynamic fact-finding for adjudication determinations and implements calculations for taxes and benefits due. The program is automatic and will allow agency staff to work more efficiently.

- **New KDOL website (Spring/Summer/Fall 2010)**

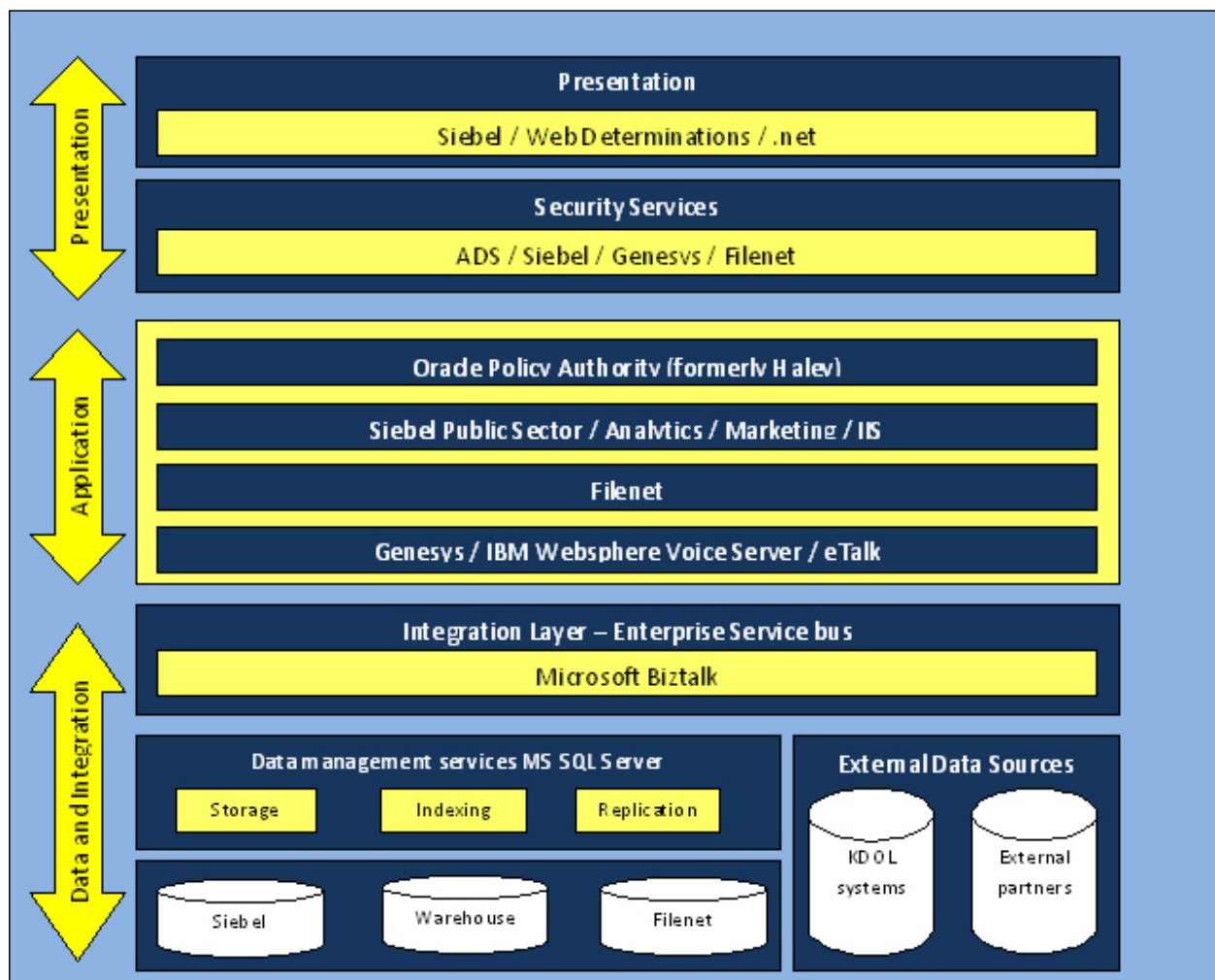
The website was redesigned to make the user experience more consistent and easier to navigate. Each unit now has its own landing page that includes links to all the available information for that section.

- **Use of VMware (2008)**

KDOL successfully moved servers to the VMware virtual server environment. We now have 15 servers operating and supporting systems that previously needed 150 servers to operate. This also included consolidation and virtualization of our databases.

- **Fax Server (2008)**

The agency implemented the use of a fax server to convert incoming faxes directly into electronic documents, reducing the amount of paper documents.



2. Modernizing UI Tax: The first parts of the UIM project to be deployed focused on upgrades to the UI tax system. This included:

- **Moving employer data into Siebel:** The first release in June 2010 moved 16 quarters of 72,000 employers' wage data off the mainframe and onto our new Siebel system. In addition, we re-engineered the processes of doing adjustments and excess wages. Subsequent releases have included migrating the employer account information into Siebel. Now employer accounts are established, assigned a contribution rate, updated and maintained within Siebel.



- **Updating the Web portal:** In June 2010, we upgraded the Web portal that employers, claimants and accountants use to file claims, share data and file reports with KDOL. The old portal was created about eight years ago and Web technology has evolved significantly since then.
- **Developing a New Quarterly Wage Report:** In July 2010, the online quarterly wage report took on a whole new look and feel, with added features to improve the process of filing quarterly reports. The overall goal was to make filing online reports easier and faster and to improve the accuracy of the information filed with the agency. Kansas law requires employers with more than 100 employees to file online. Certified public accountants and third-party administrators handling more than 50 client employees must also file on the Web. Filing online saves time and paper for businesses and KDOL. As a result of the recent changes:
 - Employers can now save a wage report and return to it at a later date. Previously, once the employer hit the submit button, their wage report was sent to KDOL and no further changes could be made online. This made correcting a name or Social Security number cumbersome and required employers to call agency staff who had to locate the paper report to make the change over the phone.

- Employers can now file their quarterly wage reports using a Web-based service along with other electronic formats. Since its implementation during third quarter of 2010, more than 8,000 employers have switched from filing on paper to filing electronically, saving time and resources for employers and KDOL staff.
- Using previously filed reports, the Web-based filing populates the majority of the data needed to file each employer's quarterly wage report, thus simplifying and reducing time to file these reports. This process also increases the efficiency and accuracy of KDOL staff.
- Employers now have a second chance each quarter to make changes online once they've submitted the form to KDOL.
- We've also added a print function to the wage report so employers can now print the report at any point in the process.
- The paper wage report form for small employers has been reformatted and bar coded to allow for the wage report to be optically scanned and quickly converted to an electronic document for efficient processing once it arrives at KDOL.

3. A modern Contact Center

- **Consolidated, modern call center:** In Spring 2007, the agency consolidated three separate call center locations into one Contact Center in Topeka. The goal was to combine best practices by having all staff physically located in one professional environment



which ultimately saved the agency money. In May 2010, Contact Center customer service representatives (CSRs) moved into the lower level of a newly renovated building. The new space has state-of-the art ergonomic work spaces and provides increased visibility among the Contact Center staff. Previously, CSRs and supervisors had little or no visibility to one another, making it difficult to seek assistance. With better visibility,

we have created a real-time environment for coaching, management and development. Another noteworthy change is that we reduced the CSR cubicle size which maximized floor space. The open space creates a true modern call center environment.

- **Internal Google online resource tool:** In August 2010, we launched a new internal Google online resource tool, which is affectionately called Einstein (our UI genius) by staff. This tool contains all the information from our UI Business Operations Manual, in an easy to use searchable format. We have revolutionized the way CSRs search for information and eliminated the need for printed handouts, which can quickly become outdated. In October 2010, KDOL staff used the new online resource tool to search for information from the manual 7,892 times.
- **Dynamic Fact Finding:** In September 2010, we added additional questions to the online initial claim application, creating a dynamic fact-finding process. Previously, if a claimant's online application raised additional employment separation questions, the claimant was instructed to call the Contact Center. This resulted in more phone calls and longer wait times for claimants. Now claimants answer these additional questions while applying on the website instead of calling the Contact Center. It's called dynamic fact finding because the way the claimant answers the first question determines the types of questions that follow. By gathering more information upfront, we can make a faster determination about eligibility for benefits. By using this tool, adjudicators provide prompt, accurate eligibility decisions and thus reduce the possibility of a claim being appealed. Although in its early stage, our initial review of the adjudication dynamic fact-finding feature indicates a 20 percent improvement in our federal benefit timeliness and quality scoring. These questions are being launched in phases, the first set of questions added involved claimant discharge reasons and quits. Future releases will help us identify "able and available" issues. Although optional, more than 80 percent of claimants are completing these additional questions after finishing their online application.
- **Agent Anywhere:** Many of our customer service representatives and other staff work weekends to reduce the backlogs. By using Agent Anywhere, staff can log on and access their work desktop from any computer in the building, allowing staff to physically work together in the same area.
- **Imaging:** This process brings the UI Benefits and UI tax paper file rooms into one consolidated UI imaging unit.
 - In 2004 the Imaging Unit was formed. Over a 5-year span more than 5.5 million pages were scanned and converted to electronic images.
 - In 2009 the Records Management Unit was formed. In the past 22 months, more than 6.2 million pages have been scanned and converted to electronic images.

4. Replacing paper warrants with debit cards: In November 2008, KDOL moved from paying benefits with paper checks to using debit cards. With the huge surge in benefit payments in CY 2009, the agency experienced savings that topped \$1 million as a result of this change. In addition, our customers have a more secure and flexible method of accessing benefits. A user survey of our customers was conducted, which found that:

- 90% of respondents say they value the immediate access to their benefit funds provided by their card;
- 78% of respondents say they understand how to access their benefit funds fee-free; and
- 89% say they find their prepaid benefit card easy to use.



5. Automatic Registration: In July 2009, KDOL worked with the Kansas Department of Commerce to launch a new service that automatically registers all claimants for unemployment benefits with the **KANSASWORKS.com** job postings and reemployment services website.

6. New phone system—Interactive Voice Response: In November 2010, KDOL debuted the first phase of our new contact center interactive voice response (IVR) system. The new system upgraded our outdated phone system and allows us to gather claimants' information before speaking to a service representative. The first phase streamlined our menu system and brought a professional voice to the system. Claimants now respond to the system using

voice recognition instead of using their touch-tone key pads, however, using the key pad is still available. The new IVR eliminated the multiple voices claimants heard when calling in, replaced by a single, consistent and professionally-recorded voice talent. It also eliminates the wait time to enter the IVR—callers no longer have to wait to get into the IVR main menu and,

The new phone system provides a consistent voice and a more pleasant experience for our customers. The system also is more natural – intuitive – in requesting information from claimants. It is a significant improvement over the previous system.

if the queues are at capacity, the caller will be informed upfront and asked to call back. This happens within a few minutes of their call being answered.

7. Appeals goes digital: Starting in October 2010, all eighteen UI Appeals judges now use digital recorders to record appeals hearings instead of recording hearings on antiquated analog cassette tapes. The files are then digitally uploaded to a server for easy access to those who need to review the recordings. The new system:

- Eliminates the cost of cassette tapes;
- Eliminates the need for cassette tape storage/filing;
- Provides easier access to files, and less chance for lost or misplaced tapes;
- Reduces the need to redo a hearing due to faulty or lost tapes;
- Allows the recording to be accessed from anywhere in the agency with the click of a button (instead of requesting, finding and delivering the specific tape); and
- Allows faster review of hearing files—the user can skip to a specific time in the recording without having to manually fast-forward or rewind a cassette tape.

8. Proactive communications with our customers

- **Quarterly Wage Report “How-to” Webinars:** In November 2010, we launched a series of free webinars to help employers, accountants and third-party administrators understand how to file their quarterly wage reports online. We initially scheduled six webinars for

100 attendees each, but they “sold out” within a few hours of announcing registration. We doubled the webinars to 12 (four in November, four in December, four in January) for 100 attendees each.

- **Revised employer newsletter:** We revamped the agency’s quarterly newsletter to employers, the *Employer Insider*, to include a new look and feel and to provide additional information about the quarterly wage report system improvements and other UIM project changes.

- **Social media:** To communicate with our many customers, we realized the need to “go where the people are” and utilize communication vehicles that our customers expect us to use. So far we have seen great success.

EMPLOYER INSIDER KANSAS DEPARTMENT OF LABOR
Quarterly filing tips, news and updates for Kansas businesses
4th Quarter • December 2010

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Remember these dates
Keep these important fourth-quarter dates in mind
Last quarter, House Bill 2676 provided you with a 90-day, interest-free extension on payments of your third-quarter taxes in 2010. Please note: This 90-day, interest-free extension DOES NOT apply to your fourth-quarter unemployment tax, which is due on Jan. 31, 2011. Delaying the payment of your state unemployment tax past the Jan. 31 deadline could reduce the credit you are allowed on your Federal 940 return.

Submitting voluntary contributions
In addition to the required payment of your unemployment tax, you may make additional payments into your reserve account to reduce a deficit balance or to increase a positive balance. Since tax rates are based on reserve account balance, changing your balance can lower your tax rate for next year. Sometimes, a relatively small voluntary contribution will lower your tax rate and allow you to save more money in the coming year.

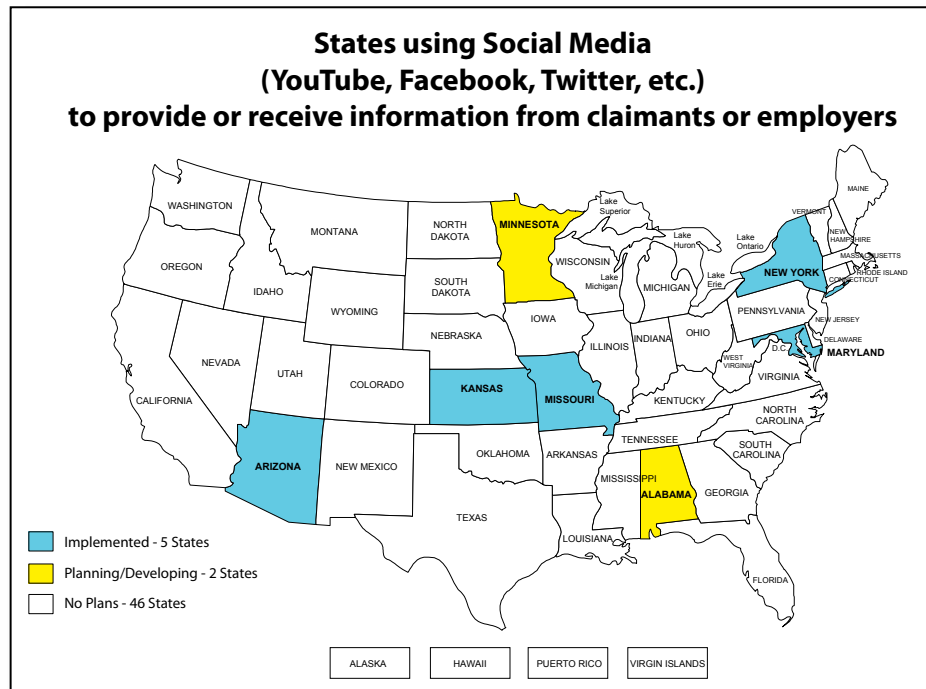
How do I make a voluntary contribution?
Your "Notice of Contribution Rate" contains instructions for determining whether a voluntary payment will reduce your tax rate for the new year. If you plan to use the Shared Work program in 2011, you must have a positive account balance. If your experience rating notice shows a negative account balance, you will need to make a voluntary contribution in the amount of your negative balance. Voluntary contributions to reduce your tax rate are due within 30 days from the Dec. 13, 2010, mailing date on the 2011 experience rating notice. If you wish to make a contribution, please follow the instructions on your notice.

Questions? Please contact your local field representative, whose name and telephone number is listed on your 2011 experience rating notice.

2011 experience rates are out
Understand your tax rate groups and where to get answers to your questions
If you're a contributing employer, you should have received an experience rating notice around Dec. 13, 2010. House Bill 2676 mandated that each of the 51 rate groups would remain at the same level as they were for 2010. Despite the tax rate groups staying the same, you may see changes in your rate. If your tax rate has changed from 2010, it is because the factors used in computing your rate have caused you to move into another rate group.

How are rate groups determined?
Your rates are based on the ratio of the individual employer's experience with benefit charges and taxable payroll. Your 2011 assigned rate, in the range of 0.11 to 5.40 percent for positive balanced employers and 5.60 to 7.40 percent for negative balanced employers, depends on your experience with the unemployment insurance program.

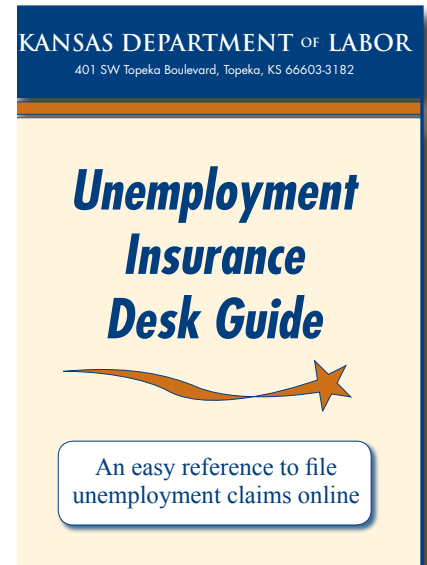
Which way do you file?
Make sure you know the law
Over the last three years, the law has required more businesses to file their quarterly wage reports online. Are you in compliance?
• **June 30, 2008:** Employers, CPAs and TPAs with 250 or more employees are required to file their quarterly wage reports online.
• **June 30, 2009:** Employers, CPAs and TPAs with 100 or more employees are required to file their quarterly wage reports online.
• **June 30, 2010:** Third-party administrators filing for employers with 50 or more client employees are required to file their quarterly wage reports online.



- **Twitter:** We launched a Twitter site on June 25, 2010, to post updates and communicate with our many customers. Our site address is: <http://twitter.com/KansasDOL>. We are currently following 88 other Twitter users (mostly news sources, state agencies and cities), and have 456 followers. To put this in perspective, the Missouri Department of Labor has 182 followers.
- **Podcast:** We also launched a podcast in 2010 and have posted 25 podcasts to date. The audio podcasts share detailed information about specific UI program issues and KDOL. For those podcasts we've had 22,653 unique visitors. Unique visitors represent the total number of people who have listened to a podcast. Visitors are counted only once (by IP address), even if they visit our site multiple times. Divide this number by 25 and we've had more than 900 unique visitors per episode.
- **E-mails to employers:** Utilizing new Siebel technologies, we can now send mass e-mail messages to all Kansas employers for whom we have e-mail addresses. We have used this new process to inform employers about tax payment deadlines, upcoming webinars and to send out an electronic copy of the *Employer Insider* newsletter.



- **E-mail newsletter to claimants:** In April 2010, we launched the *Kansas Unemployment Update*, an electronic newsletter sent to all claimants for whom we have e-mail addresses. This newsletter includes the latest news and updates about unemployment benefits and UI programs. We currently have 38,568 claimant e-mail addresses and obtain more through the online filing system every day.
- **Unemployment Insurance Desk Guide:** We created and posted an online reference guide to help claimants file their claims online. So far, more than 14,000 claimants have downloaded and viewed this file.
- **“How to file your unemployment benefits” video – a 10-minute tutorial:** We created and posted a video tutorial for first-time claimants. Since posting this video to our website, it has had nearly 1,800 views by unique visitors.
- **YouTube videos:** We have posted two videos to YouTube – our commercial advertising www.GetKansasBenefits.com and the “How to file your unemployment benefits” video tutorial. These two videos have been viewed more than 840 times.



On to the Future

KDOL staff continues to work hard on the UIM project and deploy and implement new releases each month. As we see the improvements take place, anticipation builds for the next series of releases. Here are a few items for upcoming releases:



- **Liability/status reports:** This winter we are launching updates to the employer liability and status reports online. Previously, employers completed a form and then waited for KDOL staff to process the information. Now, the process includes a set of dynamic fact-finding questions which will provide employers with a temporary tax rate and account information immediately (created by the system), instead of waiting for a KDOL employee to process the report.
- **Payment processing inside of Siebel:** This winter, employer tax payments will be processed directly inside of Siebel, making the payment process instantaneous.
- **More claimant dynamic fact-finding questions:** This winter we will also launch a set of “able and available” questions on the online initial claim application. We should see a major impact from these questions since many eligibility issues involve the requirement that claimants must be available to seek and able to accept work immediately.
- **More updates to the phone system IVR:** Efforts will be pursued to allow claimants to use the weekly claims filing system with voice activated responses and to add a “wait time” feature to provide claimants with an estimated timeframe of how long they may have to hold before speaking with a customer service representative.
- **Moving all intake initial and continued claims data into OPA rules engine:** In early 2011, we will make the first major move of benefits data into the OPA rules engine, which will move this data off the mainframe and into the new system.
- **More benefits data into Siebel:** In spring 2011, we will move even more benefits data off the mainframe and into Siebel for use by Contact Center and UI Benefits staff.

- **E-talk:** The Contact Center will began using e-talk, a call monitoring program, to randomly record calls taken in the Contact Center. Supervisors can listen to recorded calls to provide customer service representatives with feedback and additional training if necessary. E-talk records the phone conversation between the CSR and the claimant and captures video screen shots from the CSR's computer. Supervisors will be able to listen to recorded calls and see CSR computer actions. Because calls are recorded at random, CSRs do not know which calls are being recorded. Supervisors will be able to evaluate calls and review them with the CSR.

The UIM Project reaps real rewards

The UI Modernization Project is funded by the distribution of federal Reed Act funds made by the federal government to the State of Kansas in March 2002. The Governor and Legislature authorized \$21 million in bonds in FY 2005 to fund a rewrite of the UI benefits system. The debt service on these bonds is paid with Reed Act funds. In FY 2007, an addition allocation of \$26 million of Reed Act funds was made to fully fund a complete modernization of the entire UI system. A total of \$47 million has been allocated for this project.

Here is how the funding has been spent:

| | |
|---|--------------|
| The Business Process Reengineering Phase | \$ 3,819,045 |
| The Detailed Design and Requirements Planning Phase | \$24,223,209 |
| Total Available for the Build and Deploy Phase | \$18,957,746 |
| Subproject I | \$2,864,768 |
| Subproject II | \$1,039,994 |
| Subproject III | \$5,764,350 |
| Amount remaining for the rest of the project..... | \$9,288,624 |

The savings of a modernized system are real and meaningful. The reengineered processes and the implementation of new technologies improve the use of agency staff time. The goal is to automate and consolidate routine processes, thus allowing staff to work efficiently.

The new technologies will allow the agency to significantly reduce its dependence on the mainframe system, which cost the agency \$1.08 million in FY 2010. Modernizing our benefits payment methods (moving from paper checks to using debit cards) saved the agency more than \$1 million in CY 2009

But most of all, the new modern operating system will improve the experience of KDOL's customers. The claimants and employers who interact with the UI system will see a modern, customer-focused system that allows as much self service as desired by the customer.

A project of this magnitude takes time and perseverance. But the benefit to the State of Kansas is real and will be enjoyed for many years.

